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INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES

Report by the Director-General

Addendum

Supplements and updates information provided in document IDB.24/16, chapter I, concerning UNIDO involvement in LDC III.

Introduction

1. The present document supplements and updates information provided in document IDB.24/16, chapter I, regarding implementation of Board decision IDB.23/Dec.10 on UNIDO involvement in the Third United Nations Conference on the Least Developed Countries (LDC III). The Conference took place in Brussels from 14 to 20 May 2001 in the presence of a UNIDO delegation for the entire period.

I. UNIDO'S APPROACH TO LDC III

"In a nutshell: unless competitive production is built up, unless supply-side capacities are created, the LDCs will be unable to benefit from liberalized trade flows and will fail to integrate into the global economy."[1]

2. With LDC III, and in its Programme of Action, "productive capacity" was reinstated in its crucial role for the international development agenda. UNIDO's strategy throughout was to bring to the forefront the centrality of the manufacturing productive sector and the linkage between agriculture and industry for economic growth, integration into the global economy and poverty alleviation. The aim is to connect marginalized countries and communities to the process of globalization, thus ensuring that globalization becomes a positive force for all and contributes to reducing poverty effectively.

3. In pursuing this strategy, UNIDO follows a dual approach:

(a) Essentially, the theme to be promoted is the correlation between access to markets and strengthened productive capacities in sectors bearing the strongest development potential, for example textiles, food and leather;

[1] UNIDO concept paper for LDC III: "Spreading the Gains from Globalization. UNIDO's Approach to Support the Least Developed Countries"

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(b) Furthermore, UNIDO was selected as lead agency for the thematic session of the Conference dealing with energy. Energy is a key determinant and stimulus for economic activity, for development and thus for poverty alleviation in LDCs.

4. This approach has been reflected consistently in all of UNIDO's entry points for the Conference, underlining that the economic stagnation of most LDCs, and their marginalized position, is linked to the insufficient attention to or even neglect of the development of productive capacity in industry, and in particular manufacturing.

II. MAIN ACTIVITIES AT THE CONFERENCE

5. The Organization contributed in several ways to sessions and events during the Conference:

(a) UNIDO led **the Interactive Thematic Session on Energy**. The session, which was attended by some 300 delegates, was organized by UNIDO with the support of the Government of Austria. It was co-chaired by the Minister of Economy and Finance of the Republic of Mali, Mr. Bacari Kone, and the Austrian Federal Minister of Agriculture, Forestry, Environment and Water Management, Mr. Wilhelm Molterer. The Director-General of UNIDO served as moderator of the meeting. The session focused on three key issues: Access to energy particularly in rural areas, enhancing energy efficiency, and efficient oil and gas pricing and procurement in LDCs. A press conference—well attended by the media—covered the session;

(b) UNIDO cooperated with ITC in organizing the **Business Sector Round Table**, which was the only LDC III event with predominately private sector focus and participation. The Round Table focused on concrete examples of how export opportunities of LDCs can be converted into successful business experience. UNIDO's emphasis on the need for upgrading productive capacity and facilitating trade was presented in an introductory high-level panel, in presentations by successful UNIDO entrepreneurs and through distribution of a paper on the export performance of African enterprises prepared by UNIDO partners at the University of Oxford. The focus on concrete case studies and the entrepreneurs involved drew considerable interest from the media;

(c) UNIDO prepared a special **study**, "Building productive capacity for poverty alleviation in LDCs: the role of industry", underlining the need in LDCs for developing productive capacity and enhanced productivity in the fight against marginalization. The study was widely disseminated at the Conference;

(d) The proposed "**Multi-Agency Programme on Investment Promotion for LDCs**" jointly prepared by UNCTAD, MIGA, FIAS and UNIDO, was the subject of a special briefing for donors. Here, as well as in a briefing for recipient countries on products and services in investment and enterprise development, UNIDO had the opportunity to present its own contributions to the programmes;

(e) UNIDO launched a portfolio of special initiatives ("**deliverables**"), which will contribute to the implementation of goals set out in the global Programme of Action. The package of deliverables "Promotion of modern energy solutions, as driver for development" was launched at the Thematic Session on Energy, while the deliverable "Enabling LDCs to participate in international trade (trade support services)" was presented in a statement by UNIDO at the Thematic Session on International Trade, Commodities and Services/Tourism;

(f) In its **general statement** delivered in plenary, UNIDO underlined the critical contribution of the manufacturing sector to sustainable development and poverty alleviation, pointing to the need for competitiveness-enhancing policies that ensure the necessary supply-side responses and productivity gains;

(g) The **UNIDO exhibition** stand at the Conference presented the Organization's activities in LDCs, including the 13 Integrated Programmes in LDCs. As a concrete example on how the issue of access to energy can be approached in rural areas, a model of a "multifunctional platform" was exhibited;

(h) Finally, underlining the crucial importance of finding ways for LDCs to overcome the technological gap created by globalization, the Director-General held a **press conference** on "Aspects of marginalization—growth, industry and trade in LDCs", presenting the results of a UNIDO study on the subject.

III. MAJOR ACHIEVEMENTS

Fulfilling the Board mandate (decision IDB.23/Dec.10)

- Visible and focused contribution of UNIDO to LDC III as demonstrated in preceding sections

- Underlining especially the role of productive capacity for development in LDCs

Highlighting the need for linking strengthened productive capacity and market access

- Contributing to organization of the Business Sector Round Table on ways to achieve successful export performance in LDCs and presenting successful UNIDO entrepreneurs

- Developing the deliverable, "Enabling LDCs to participate in international trade"

- Presenting a paper on export performance of African enterprises

- UNIDO statements (dual approach)

Highlighting the crucial role of energy for poverty alleviation in LDCs

- Organizing and leading the Interactive Thematic Session on Energy

- Development of a set of deliverables on energy

- Exhibiting the multifunctional platform demonstrating a concrete solution for energy supply in rural areas

- UNIDO statements (dual approach)

Influencing the outcome of the Programme of Action for LDCs

- Actively participating in the work of the Intergovernmental Preparatory Committee for LDC III

- Producing comprehensive comments and proposals to the different drafts for the Programme of Action

- Liaising with Member States on matters relating to UNIDO's mandate

Demonstrating the value to LDCs of UNIDO research activities and strategic research partnerships

- Preparing a study, "Building productive capacity for poverty alleviation in LDCs: the role of industry"

- Presenting the results of a UNIDO study "Aspects of marginalization—growth, industry and trade in LDCs"

- Distributing a paper, "Can African manufacturing firms become successful exporters?" prepared by CSAE at the University of Oxford, which has formed a strategic research partnership with UNIDO

Presenting UNIDO technical cooperation initiatives focused at LDCs

- Developing initiatives (presented at the twenty-third session of the Board) into deliverables for LDC III, regarding energy and trade support services

- Launching a comprehensive portfolio of special LDC-focused initiatives (deliverables) drawing on UNIDO expertise in integrated programmes

- Launching jointly with other agencies a multi-agency programme on investment promotion for LDCs

Presenting the integrated programme approach and the individual programmes for LDCs

- Presenting at the Business Sector Round Table successful case studies related to the execution of UNIDO integrated programmes (Ethiopia, Guinea, Uganda)

- Participation at the Business Sector Round Table of national entrepreneurs engaged in integrated programmes in different LDCs

- Distributing information material on the integrated programmes in individual LDCs

- Staging an exhibition stand with a special focus on UNIDO integrated programmes

Creating partnerships with other development organizations

- Sharing with ITC and other agencies the implementation of the special initiative on trade support services

- Developing, together with UNCTAD, MIGA and FIAS, the multi-agency programme on investment promotion for LDCs, thereby bringing together the comparative expertise of agencies active in this field

- Forming a partnership with the Austrian Government in energy and environment

Advocating special problems and needs of LDCs related to industrialization

- Focusing on the problem of marginalization and on ways to upgrade productive capacity, in order to alleviate poverty and make LDCs share the benefits of globalization

- Focusing on ways to use industrialization for addressing the international development goals regarding poverty alleviation and a sustainable environment

- Proposal by the Director-General to set the overall target to reduce the proportion of people without access to clean and affordable fuels and electricity by half by the year 2015, this being a prerequisite

to the international development goal on poverty alleviation

- Insisting on the need for a concrete and coordinated follow-up to the Conference, implementing the commitments by development partners and LDCs in the Programme of Action.

IV. FOLLOW-UP ACTION

6. In view of the meagre results achieved as a result of earlier LDC conferences, UNIDO has continually emphasized that concrete follow-up action and not the Conference as such is of crucial importance (IDB.24/16, chap. I).

7. The portfolio of special initiatives that UNIDO launched at LDC III focusing on poverty alleviation, energy-related issues, supply-side constraints and market access problems of LDCs will form the basis of UNIDO's programme of implementation and immediate funding initiatives.

8. In particular, the Session on Energy concluded that concerted efforts are needed to redress the current unfavourable energy situation. It was recognized that UNIDO is well placed to take the leading role in coordination of such efforts and that UNIDO is the appropriate organization to take the lead in the areas of energy in rural areas and enhancing energy efficiency.

9. The initiatives are reflected in the Programme of Action, particularly commitments 4 and 5, and the implementation in line with the stated procedures of the Programme of Action will contribute to a coordinated global follow-up mechanism related to the implementation of the United Nations Millennium Declaration. The UNIDO initiatives will be pursued in cooperation with other international organizations in the spirit of the LDC III process. The challenge of ensuring that the follow-up process at the country level brings fruition to the promises made at the Conference is a matter that UNCTAD is also looking into.

10. UNIDO's involvement at LDC III, the importance of which was underlined by the Industrial Development Board (IDB.23/Dec.10), constitutes an important example of the synergies between global forum and technical cooperation activities. UNIDO's expertise in technical cooperation activities relevant for enhancing productive capacity and market access of LDCs provided the platform needed for UNIDO's participation in the LDC III global forum activities. The contributions to the Conference, initiatives launched and partnerships forged provided the visibility and framework that UNIDO will need for transforming these initiatives into future technical cooperation activities for LDCs.

V. ACTION REQUIRED OF THE BOARD

11. The Board may wish to take note of the information provided in the present document.

Abbreviations

CSAE	Centre for Study of African Economies
FIAS	Foreign Investment Advisory Service
ITC	International Trade Centre
LDC	least developed country
LDC III	Third United Nations Conference on Least Developed Countries
MIGA	Multilateral Investment Guarantee Agency
UNCTAD	United Nations Conference on Trade and Development